ANNUAL REPORT

FISCAL YEAR 1990/91

OF THE

PRINCE EDWARD ISLAND AGRICULTURAL DEVELOPMENT CORPORATION

92-05995/

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PRINCE EDWARD ISLAND
AGRICULTURAL DEVELOPMENT CORPORATION
LAND LEASING

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The Honourable Keith Milligan
Minister of Agriculture
Department of Agriculture
P O Box 2000
Charlottetown, P E I

Honourable Sir:

In accordance with the Prince Edward Island Agricultural Development Corporation Act, I enclose the report of the Corporation for the fiscal year ended March 31, 1991.

This report also includes the Corporation's audited financial statements for this period.

Respectfully submitted,

Alma MacLennan

Alma MacLennan
Chairperson of the Board

GENERAL MANAGER'S REPORT

The Agricultural Development Corporation Act was proclaimed by Executive Council on May 31, 1990 to come into effect July 1, 1990, enabling the Corporation to administratively amalgamate, under one Board of Directors, the land purchase and lease program formerly administered by the Land Development Corporation; and the crop insurance program formerly the responsibility of the Crop Insurance Agency.

The final meeting of the Crop Insurance Board was held on May 10th while the final meeting of the Land Development Corporation Board was held on June 14th. Members of the Board of Directors of the new Agricultural Development Corporation were sworn in at its first meeting on July 12th. Alma MacLennan was named Chairperson of the Board while William Lewis was elected Vice Chair by the Board.

The crop insurance program came under a new federal-provincial agreement for 1990/91 as a result of amendments to the federal Crop Insurance Act and Regulations. The new agreement is much more comprehensive than previous agreements; requiring, for example, that each crop plan be actuarially sound as certified by an approved actuary. All conditions as outlined in the Agreement must be achieved by 1993. Significantly, however, the province in signing the agreement, will be accepting a new cost sharing formula requiring Prince Edward Island to contribute 25% of the crop insurance premiums, the federal government 25% and the farmer 50%. The federal government is also now contributing 50% of the administrative costs. Under the previous formula, the federal government contributed 50% of the premiums while the provincial government paid 100% of the administrative costs. The new cost-shared formula resulted in an additional expenditure to the province of approximately one-half million dollars.

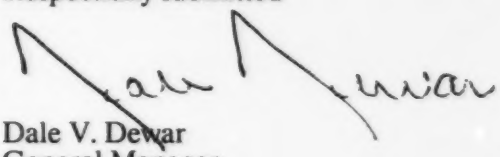
The weather conditions during the planting season in 1990 were extremely wet while the months of July and August were unusually dry. Consequently, there was a high frequency of hollow heart found in the potato crop. Total indemnities paid for potatoes amounted to $1.8 million; while for the 89 crop year, total indemnities for potatoes amounted to $439,486. The tobacco crop was affected by a major wind storm on August 1st resulting in extensive damage. As a result, over $1 million was paid in claims at the Stage II level to insured tobacco growers. The surplus of the crop insurance fund at the end of the fiscal year was $1,182,400.

The Corporation purchased, during the past twelve months, 80 farm properties representing 7,710 acres at a value of $7,610.352. This represented the busiest year experienced under the land leasing program appearing to support the trend toward long term leasing of farm land rather than ownership.

The market and appraised value of farm land remained high ranging from $2,000 per acre for A2 land in Prince County to significantly lower values for A2 land in Kings County at approximately $650 per acre. The lease interest rate during the year ranged from 10.2% to 11.4%.

In conclusion, I want to express my thanks to Alma MacLellan who acted as the first Chairperson of the Agricultural Development Corporation's Board of Directors. The merging together of the crop insurance program and the land leasing program under one administration was a challenging experience for both Board members and staff...to all a thank you for your cooperation and hard work during the year.

Respectfully submitted



Dale V. Dewar
General Manager

BOARD OF DIRECTORS
April 1, 1990 - March 31, 1991

Alma MacLennan	Chairperson
Bill Lewis	Vice Chair-person
Dale Dewar*	Secretary-Treasurer
Raynall MacNeill	Member
Ronald MacWilliams	Member
John MacKinnon	Member
Dianne Balderston	Member
Allan Rankin	Department of Community & Cultural Affairs
Teresa Mellish	Department of Agriculture
Dr. Gordon MacEachern	Department of Agriculture
Lloyd S. (Tim) Blakney	P.E.I. Treasury Board

* Non-voting

STAFF
April 1, 1990 - March 31, 1991

Dale V. Dewar	General Manager
Errol Andrews	Director of Finance
Donna R. Herlihy	Administrative Assistant
Gloria A. Dalziel	Secretary
Eileen Callaghan (1)	Accountant
Diane McCloskey	Clerk
Jane Young (1)	Clerk
Frank Duguay	Crop Insurance Advisor
Scott MacPhail	Crop Insurance Supervisor
Holland Cahill	Crop Insurance Field Staff
Clarence Ross	Crop Insurance Field Staff
John Fitzpatrick (2)	Crop Insurance Field Staff
Michele McIntyre (1)	Accounting Technichan
Jane Doyle	Accounting Technician
Edgar Coffin	Land Leasing Area Manager
Ernest Hudson	Land Leasing Area Manager
George Harris	Land Leasing Area Supervisor
Alex Rogers (1)	Agricultural Officer Trainee

(1) Casual Employees
(2) Mr. Fitzpatrick resigned in January 1991

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND

AGRICULTURAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 1991

AUDITOR'S REPORT

To the Board of Directors of the
Prince Edward Island Agricultural Development Corporation

I have examined the balance sheet of the Prince Edward Island Agricultural Development Corporation as at March 31, 1991 and the statement of revenue, expenses and surplus for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Because the new Crop Insurance Agreement with the federal government is not signed by both parties, I was unable to confirm or verify by alternative means accounts receivable included in the financial statements totalling $919,300. The accounts receivable recorded is based on signing of the agreement which is to be effective from April 1, 1990. Accordingly, I was not able to determine whether any adjustments might be necessary to accounts receivable, revenue, or contributions to operating expenses.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1991 and the results of its operations for the year then ended in accordance with the basis of accounting disclosed in Note 1 to the financial statements.

J. Wayne Murphy, C.A.
Auditor General

Charlottetown, Prince Edward Island
June 25, 1991

STATEMENT 1

PRINCE EDWARD ISLAND AGRICULTURAL DEVELOPMENT CORPORATION
BALANCE SHEET
MARCH 31, 1991
(with comparative figures at March 31, 1990)

ASSETS

	1991	1990
CURRENT ASSETS		
Cash	$ 594,300	$ 81,800
Accounts Receivable - General	92,900	14,100
Accounts Receivable - Leases-Note 2	1,944,400	1,966,100
Accounts Receivable - Mortgages-Note 2	729,300	703,400
Accounts Receivable - Agreements of Sale-Note 2	109,500	101,400
Accrued Lease Income	747,900	357,500
	4,218,300	3,224,300
OTHER ASSETS		
Crop Insurance Fund - Note 3	1,182,400	1,596,000
LONG TERM ASSETS		
Land Inventory-Note 4	34,902,900	28,936,200
Mortgages Receivable-Note 2	2,393,400	2,482,400
Agreements of Sale Receivable-Note 2	208,400	200,200
	37,504,700	31,618,800
TOTAL ASSETS	$42,905,400	$36,439,100

LIABILITIES AND SURPLUS

	1991	1990
CURRENT LIABILITIES		
Accounts Payable		-
- General	167,100	76,400
- Province of Prince Edward Island	2,252,800	2,332,500
Deposits on Options-Note 5	320,300	211,100
Current Portion of Long Term Liabilities	667,100	562,500
	3,407,300	3,182,500
LONG TERM LIABILITIES		
Province of Prince Edward Island-Note 6	38,315,700	31,660,600
SURPLUS		
Crop Insurance Fund-Note 1(c)	1,182,400	1,596,000
TOTAL LIABILITIES AND SURPLUS	$42,905,400	$36,439,100

(The accompanying notes and schedules are an integral part of these financial statements)

SIGNED ON BEHALF OF THE BOARD: CHAIRPERSON: William C. Lewis

SECRETARY-TREASURER: Jason T. Lewis

AUDITOR GENERAL CHARLOTTETOWN, P.E.I.

PRINCE EDWARD ISLAND AGRICULTURAL DEVELOPMENT CORPORATION

STATEMENT OF REVENUE, EXPENSES AND SURPLUS

YEAR ENDED MARCH 31, 1991

(with comparative figures for the year ended March 31, 1990)

	1991			1990
	Farm Finance	Crop Insurance	Total	Total
REVENUE				
Lease income	$3,031,300	$ -	$3,031,300	$2,613,800
Miscellaneous	95,900	-	95,900	54,200
Interest Income - Schedule 2	425,200	188,800	614,000	560,300
Insurance Premiums - Note 1(b) and Schedule 1	-	2,796,800	2,796,800	2,487,000
	3,552,400	2,985,600	6,538,000	5,715,300
EXPENSES				
Indemnities - Schedule 1	-	3,399,100	3,399,100	533,200
Administration - Schedule 2	418,700	443,200	861,900	676,800
Interest	4,099,300	100	4,099,400	3,306,800
Bad Debts	165,300	-	165,300	334,400
Property Purchase	18,300	-	18,300	18,900
Property Maintenance	50,100	-	50,100	40,900
Inventory Writedown - Note 1(d)	165,500	-	165,500	139,800
	4,917,200	3,842,400	8,759,600	5,050,800
Excess of Revenue over Expenses (Expenses over Revenue)	(1,364,800)	(856,800)	(2,221,600)	664,500
Contributions to Operating Expenses				
Provincial - Notes 1(b) and 1(c)	1,364,800	221,600	1,586,400	1 384,200
Federal - Note 1(b)	-	221,600	221,600	-
	1,364,800	443,200	1,808,000	1,384,200
Net Income (loss) for the Year	-	(413,600)	(413,600)	2,048,700
Surplus (Deficit), start of Year	-	1,596,000	1,596,000	(452,700)
Surplus (Deficit), end of Year	$ -	$1,182,400	$1,182,400	$1,596,000

(The accompanying notes and schedules are an integral part of these financial statements.)

PRINCE EDWARD ISLAND AGRICULTURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1991

1. Summary of significant accounting policies:

(a) Operations

The Agricultural Development Corporation Act was proclaimed May 31, 1990, and became effective July 1, 1990. It legally amalgamated the operations of the Prince Edward Island Crop Insurance Agency and the Prince Edward Island Land Development Corporation. The new corporation provides the same programs of farm financing and crop insurance to the client group serviced by its predecessors. The beginning asset, liability, and surplus balances are those of the predecessor corporations as at March 31, 1990. For comparative purposes, all the asset, liability, surplus, revenue, and expense amounts are shown for the previous year.

(b) Crop Insurance Fund

The crop insurance program is treated as a fund separate from the farm financing operations, as it is intended to be self sustaining. The net asset or liability and surplus or deficit is segregated.

The new agreement negotiated between the federal and provincial governments but not yet signed by both parties will be retroactive to April 1, 1990 and covers the cost sharing arrangements for insurance premiums and administrative expenses. Crop insurance revenues include government contributions to insurance premiums as described in Schedule 1.

(c) Surplus or Deficit/Net Income or Loss

Government policy has been to allow the Crop Insurance Fund to retain surpluses or recover deficits, and to absorb losses incurred by the Farm Financing Activities.

(d) Land Inventory

The Corporation carries land and buildings at the lower of cost or estimated market value except for leased properties which are valued at the lower of cost or the option price. Gains and losses are recognized as properties are sold.

(e) Mortgages and Agreements of Sale

The Corporation records principal and interest payments which are due as current accounts receivable. If the total balance outstanding exceeds the assessment of market value for the property, an allowance for doubtful accounts is recorded. The principal coming due within one year is included in the principal balance not due.

PRINCE EDWARD ISLAND AGRICULTURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1991

2. Accounts Receivable

	Leases	
	1991	1990
Lease Income Receivable	$3,039,500	$2,967,600
Less: Allowance for Doubtful Accounts	(1,095,100)	(1,001,500)
	$1,944,400	$1,966,100

Lease Accounts written off in 1991 total $39,100 (1990 - $72,100)

	Mortgages		Agreements of Sale	
	1991	1990	1991	1990
Principal Balance Not Due	$2,544,200	$2,579,800	$208,000	$233,000
Principal and Interest Due	729,300	703,400	109,500	101,400
Accrued Interest	50,200	37,800	400	300
	3,323,700	3,321,000	317,900	334,700
Less: Current Accounts Receivable	(729,300)	(703,400)	(109,500)	(101,400)
Allowance for Doubtful Accounts	(201,000)	(135,200)	-	(33,100)
	$2,393,400	$2,482,400	$208,400	$200,200
Principal coming due within one year	$ 144,900	$ 120,800	$ 22,500	$ 25,100

3. Crop Insurance Fund [See Note 1(b)]
The net assets of the fund include the following:

	1991	1990
Assets		
Cash	$ 588,900	$1,644,300
Interest Receivable	4,400	16,000
Accounts Receivable - Federal Government	919,300	-
	1,512,600	1,660,300
Liabilities		
Indemnities Payable	179,600	56,800
Accounts Payable - Province of PEI	148,900	-
Deferred Insurance Premiums	1,700	7,500
	330,200	64,300
NET ASSETS	$1,182,400	$1,596,000

4. Land Inventory:

	1991	1990
Leased Properties	$28,847,500	$23,808,800
Vacant Land for Sale or Lease	2,182,800	2,623,800
Expired Leases	3,872,500	2,503,600
	$34,902,900	$28,936,200

PRINCE EDWARD ISLAND AGRICULTURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1991

5. Deposits on Options:
Most leases give the lessee the option to purchase the property at a predetermined price. These deposits represent partial prepayments of the option price on the leased property.

6. Long-Term Debt - Province of Prince Edward Island

	1991	1990
Notes payable, renewed each month with interest paid on a discounted basis, at the Province's 30 day lending rate, which is currently 9.92%.	$ 4,200,000	$ 1,000,000
Note payable, with interest at 10.625% due June 1, 1990.	-	24,000,000
Note payable, with interest at 12.25% due June 1, 1991.	14,000,000	-
Note payable, with interest at 12.25% due June 30, 1992.	13,900,000	
Notes payable, 28 loans with interest paid annually at rates between 6.6875 and 9.375. Principal payments which started April 17, 1990 are due in equal installments on the 20th, 25th, and 30th anniversary dates.	4,694,000	4,891,000
Loans payable, 9 loans with annual principal and interest payments due each March 31. Interest rates are from 10.0% to 13.25%, and maturity dates vary from 1997 to 2001.	2,188,800	2,332,100
	38,982,800	32,223,100
Less: Current portion	(667,100)	(562,500)
	$38,315,700	$31,660,600

The notes payable are not expected to be repaid within the next year and therefore no portion has been shown as current.

7. Employee Benefits:
Employees of the Prince Edward Island Agricultural Development Corporation are entitled to pension benefits under the terms of their employment. The employer's share of the benefits plus any additional future actuarial liabilities are assumed by the Province of P.E.I. and are not reflected in the financial statements.

PRINCE EDWARD ISLAND AGRICULTURAL DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1991

8. Reclassification:
Some of the comparative figures for 1990 have been reclassified to conform with the financial statement presentation for the current year.

9. Related Party Transactions
The Corporation purchased a property during the year for a net cost of $340,000 and leased it to a farm enterprise partially owned by the Board Chairperson. Also, during the year, the Corporation entered into crop insurance contracts with two Board members with the farmers' premiums being $3,832. The above transactions were made on terms similar to those with unrelated parties and were in accordance with the requirements of the program.

SCHEDULE 1

PRINCE EDWARD ISLAND AGRICULTURAL DEVELOPMENT CORPORATION

SCHEDULE OF CROP INSURANCE FUND SURPLUS OR DEFICIT

FOR THE YEAR ENDED MARCH 31, 1991

	Surplus (Deficit) Start of Year	1991 Changes Premiums	1991 Changes Indemnities	Surplus (Deficit) End of Year
CROP	$	$	$	$
Potatoes	(1,129,600)	2,339,700	1,950,100	(740,000)
Tobacco	2,090,200	246,700	1,047,300	1,289,600
Grain	405,300	99,700	117,500	387,500
Cole Crops	(316,200)	14,900	78,600	(379,900)
Rutabagas	(4,800)	8,900	1,300	2,800
Processed Peas	(1,400)	54,900	117,300	(63,800)
Winter Wheat	(35,300)	6,200	17,500	(46,600)
Soybean	(94,600)	14,300	9,300	(89,600)
Dry Bean	6,700	10,300	58,900	(41,900)
Other	(15,000)	1,200	1,300	(15,100)
Total	905,300	2,796,800	3,399,100	303,000
UNALLOCATED SURPLUS				
Interest Income	690,700	188,800	100	879,400
	$ 1,596,000	$2,985,600	$3,399,200	$1,182,400

CONTRIBUTION OF CROP INSURANCE PREMIUMS - See Note 1(b)

	1991		1990	
	%	$	%	$
Farmers	50	1,398,400	50	1,243,500
Provincial	25	699,200	-	-
Federal	25	699,200	50	1,243,500
	100	2,796,800	100	2,487,000

SCHEDULE 2

PRINCE EDWARD ISLAND AGRICULTURAL DEVELOPMENT CORPORATION

SCHEDULE OF INTEREST REVENUE AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED MARCH 31, 1991

	Farm Finance	Crop Insurance	1991 Total	1990 Total
INTEREST REVENUE				
Mortgages	$372,200	$ -	$372,200	$384,900
Agreements of Sale	31,400	-	31,400	36,400
Other	21,600	188,800	210,400	139,000
	$425,200	$188,800	$614,000	$560,300
ADMINISTRATIVE EXPENSES				
Salaries and Benefits	$333,800	$289,900	$616,100	$498,200
Travel	14,100	31,300	45,400	50,000
Office	17,200	17,900	35,100	79,500
General	16,800	7,500	24,300	36,400
Board Fees	7,300	8,300	15,600	12,700
Consultant Fees	29,500	-	29,500	-
Office Accommodation	-	56,500	56,500	-
Crop Specialists	-	14,400	14,400	-
Computer Services	-	8,500	8,500	-
Audit	-	5,000	5,000	-
Legal and Other	-	3,900	3,900	-
	$418,700	$443,200	$861,900	$676,800

Included in administrative expenses for Crop Insurance is expenses of $88,300 incurred on behalf of Crop Insurance by other govenment organizations.

P.E.I. CROP INSURANCE PROGRAMS FOR 1990/91

PLANS AVAILABLE	COVERAGE AVAILABLE	UNIT PRICE	PREMIUM RATE
1. Potatoes	80%	4 + 5 cents/lb.	by crop plan
2. Spring Grains	75%	5, 5.5, 6 & 7 cents/lb.	10.00%
3. Field Peas	75%	5, 6 & 7	10.00%
4. Tobacco	80%	90% of last two years average	5.60%
5. Processing Peas	80% of six years producer's average	90% of industry's average price	10.00%
6. Cabbage	70%	$2.50 per bushel	9.50%
7. Cole Crops	80%	90% of last two years' average price	12.00%
8. Rutabagas	80%	$1.50 per bushel	14.00%
9. Winter Cereals	75%	7 cents per lb.	10.00%
10. Dry Beans	75%	25 cents per lb.	10.00%
11. Strawberries	up to $1,400 per acre		8.60%

CROP SUMMARY

CROP	CONTRACTS	ACRES	PREMIUM	COVERAGE	INDEMNITIES
Potatoes	419	24,856.78	2,295,860.30	22,093,107.06	1,937,883.28
Grain	100	10,230.60	99,453.21	1,050,115.56	117,469.26
Winter Wheat	7	384	6,578.92	65,592.45	17,439.70
Soybeans	15	734.6	14,279.17	142,786.08	9,259.02
Dry beans	7	548	10,310.32	103,101.75	58,927.71
Strawberries	4	16	1,335.60	16,500.00	1,500.00
Cole Crops	5	108.2	14,861.32	127,830.03	75,045.88
Green Peas	17	1225	54,880.00	548,854.10	117,287.40
Rutabagas	14	113.75	8,887.05	65,247.90	1,255.80
Tobacco	31	1561.6	246,725.64	4,754,094.79	1,047,270.44
TOTAL	619	39,778.53	2,753,171.53	28,967,229.72	3,383,338.49

LAND LEASING PROGRAM ACTIVITIES

1984-1991

	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91
Number of Purchases	63	49	25	60	56	48	80
Acres Purchased	6,127	5,153	2,209	6,450	7,199	5,943	7,710
Value of Purchases $	3,906,131	3,210,428	1,662,155	3,835,150	4,435,754	4,555,200	7,610,352
Number of Capital Improvements	18	20	17	29	55	27	42
Value of Capital Improvements $	168,270	484,119	413,519	380,218	557,183	419,698	579,326
Total Value Purchases & Improvements $	4,074,401	3,694,547	2,075,674	4,215,368	4,992,937	4,974,898	8,189,678
Number of Lease Agreements (New & Renewed)	106	106	117	116	128	110	139
Value of New Leases $	3,830,372	4,315,431	3,148,816	5,153,108	6,583,541	5,436,500	10,443,969
Number of Acres Leased	6,509	7,343	7,043	8,480	11,187	9,022	12,394
Number of Mortgages	-	15	7	6	12	15	16
Value of Mortgages $	395,149	572,945	270,526	200,566	190,898	958,920	356,850
Number of Properties Sold	73	69	36	78	63	70	48
Number of Acres Sold	3,343	3,903	1,792	3,348	2,232	3,451	2,963
Value of Properties Sold $	1,409,722	1,857,711	856,618	1,408,288	963,411	2,078,046	1,324,768
Value of Financing to Farmers - includes leases, mortgages & improvements	4,393,791	5,372,495	3,832,861	5,733,892	7,331,622	6,815,118	11,380,145

LAND LEASING FINANCIAL COMPARISONS

1984-1991

	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91
Property Leased $	13,631,938	15,624,872	14,669,630	17,482,700	21,545,300	24,219,400	28,847,500
Property Held for Resale $	3,292,421	3,141,929	4,871,155	4,689,100	4,569,800	4,700,800	6,055,300
Total Inventory Leased & Held for Resale $	16,924,359	18,766,801	19,540,785	22,171,800	26,115,100	28,920,200	34,902,800
Mortgages & Agreements of Sale - Receivable $	1,867,292	2,045,286	2,126,011	2,144,400	2,180,300	2,812,800	2,752,200
Accounts Receivable $	1,921,615	2,558,617	3,127,123	3,415,900	3,738,200	3,786,500	3,878,300
Allowance for Doubtful Accounts $	306,281	471,355	1,035,264	1,376,200	907,500	1,169,800	1,296,100
Net Accounts Receivable	1,615,334	2,087,262	2,091,859	2,039,700	2,830,700	2,616,700	2,583,200
Bad Debts - Written Off Cumulative since 1970	180,205	263,443	310,852	365,880	900,000	969,100	1,008,200